

CHINO VALLEY UNIFIED SCHOOL DISTRICT

Audit Report

STANDARDIZED TESTING AND REPORTING (STAR) PROGRAM

Chapter 828, Statutes of 1997

July 1, 2001, through June 30, 2004



JOHN CHIANG
California State Controller

November 2007



JOHN CHIANG
California State Controller

November 30, 2007

Edmond Heatley, Ed.D., Superintendent
Chino Valley Unified School District
5130 Riverside Drive
Chino, CA 91710

Dear Dr. Heatley:

The State Controller's Office audited the costs claimed by the Chino Valley Unified School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2001, through June 30, 2004.

The district claimed \$1,063,821 for the mandated program. Our audit disclosed that \$241,956 is allowable and \$821,865 is unallowable. The unallowable costs occurred because the district did not provide adequate documentation to support claimed costs. The State made no payments to the district. The State will pay allowable costs claimed, totaling \$241,956, contingent upon available appropriations.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/wm

cc: Herbert R. Fischer, Ph.D., County Superintendent of Schools
San Bernardino County Office of Education
Ruben Zepeda II, Ed.D., Director of Assessment and Evaluation
Chino Valley Unified School District
Pam Bridges, Accounting Manager
Chino Valley Unified School District
Scott Hannan, Director, School Fiscal Services Division
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Arlene Matsuura, Education Fiscal Services Consultant
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Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	2
Views of Responsible Official	2
Restricted Use	3
Schedule 1—Summary of Program Costs.....	4
Findings and Recommendations	6
Attachment—District’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Chino Valley Unified School District for the legislatively mandated Standardized Testing and Reporting Program (Chapter 828, Statutes of 1997) for the period of July 1, 2001, through June 30, 2004. The last day of fieldwork was June 20, 2007.

The district claimed \$1,063,821 for the mandated program. Our audit disclosed that \$241,956 is allowable and \$821,865 is unallowable. The unallowable costs occurred because the district did not provide adequate documentation to support claimed costs. The State made no payments to the district. The State will pay allowable costs claimed, totaling \$241,956, contingent upon available appropriations.

Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630, and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations at California Code of Regulations, Title 5, sections 850 through 904, established the Standardized Testing and Reporting (STAR) Program related to achievement testing that school districts must administer to pupils in the state.

The STAR Program requires school districts, between March 15 and May 15 of each year, to test all students in grades 2 through 11 with Nationally Normed Achievement Tests designated by the State Board of Education. School districts administered the Stanford Achievement Test Ninth Edition (SAT-9) test in English to all pupils enrolled in grades 2 through 11 from FY 1997-98 through FY 2001-02. The California Achievement Test, Sixth Edition Survey (CAT/6) replaced the SAT-9 test effective in FY 2002-03. School districts administered the CAT/6 test in English to all pupils enrolled in grades 2 through 11 for FY 2002-03 and FY 2003-04. In addition, school districts administers an additional test, Spanish Assessment of Basic Education, Second Edition (SABE/2), to every pupil of limited English proficiency who is enrolled in grades 2 through 11 if the pupil was initially enrolled in any public school in the state less than 12 months prior to the date that the English language SAT-9 test is given. School districts are also required to engage in numerous activities related to test administration and reporting.

On August 24, 2000, the Commission on State Mandates (CSM) determined that the legislation imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the SCO issues claiming instructions, to assist local agencies and school districts in claiming mandated program reimbursable costs.

**Objective,
Scope, and
Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Standardized Testing and Reporting Program for the period of July 1, 2001, through June 30, 2004.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, the Chino Valley Unified School District claimed \$1,063,821 for costs of the Standardized Testing and Reporting (STAR) Program. Our audit disclosed that \$241,956 is allowable and \$821,865 is unallowable. The State made no payments to the district. The State will pay allowable costs claimed, totaling \$241,956, contingent upon available appropriations.

**Views of
Responsible
Official**

We issued a draft audit report on October 24, 2007. Pam Bridges, Director of Business Services, responded by letter dated November 19, 2007 (Attachment), agreeing with the audit results.

The district concurs with the findings as validated by the design of the audit methodology. The district accepts the reimbursable portion of the claimed salaries and benefits, and related indirect costs, that the SCO determined could stand.

The district will: (1) ensure that all mandated costs claimed in the future are applicable and supported; (2) accumulate the data with supporting documents and file claims according to the program's parameters and guidelines; and (3) will deduct any federal and state funds related to the mandate from future claimed costs.

In addition, the district is implementing policies and procedure to ensure compliance with mandatory reporting requirements.

Restricted Use

This report is solely for the information and use of Chino Valley Unified School District, the San Bernardino County Office of Education, The California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

Schedule 1— Summary of Program Costs July 1, 2001, through June 30, 2004

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,391	\$ 12,240	\$ 10,849	Finding 1
Test materials, supplies, and equipment	899	—	(899)	Finding 1
Pretest and post-test coordination	295,754	102,842	(192,912)	Finding 1
Test administration	12,018	19,892	7,874	Finding 1
Reporting and recordkeeping	199,367	7,621	(191,746)	Finding 1
Subtotal, salaries and benefits	509,429	142,595	(366,834)	Finding 1
Materials and supplies:				
Reporting and recordkeeping	—	5,486	5,486	Finding 2
Total direct costs	509,429	148,081	(361,348)	
Total indirect costs	30,922	8,989	(21,933)	Findings 2, 3
Total direct and indirect costs	540,351	157,070	(383,281)	
Less mandate portion of STAR apportionments	—	(41,122)	(41,122)	Finding 3
Total program costs	540,351	115,948	(424,403)	
Less amount paid by the State	—	—	—	
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 540,351</u>	<u>\$ 115,948</u>	<u>\$ (424,403)</u>	
<u>July 1, 2002, through June 30, 2003</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 136,491	\$ 3,548	\$ (132,943)	Finding 1
Test materials, supplies, and equipment	288	—	(288)	Finding 1
Pretest and post-test coordination	199,294	100,677	(98,617)	Finding 1
Test administration	37,048	19,325	(17,723)	Finding 1
Reporting and recordkeeping	102,886	6,767	(96,119)	Finding 1
Subtotal, salaries and benefits	476,007	130,317	(345,690)	Finding 1
Materials and supplies:				
Training, policies, and procedures	—	2,694	2,694	Finding 2
Test materials, supplies, and equipment	4,283	—	(4,283)	Finding 2
Reporting and recordkeeping	—	5,929	5,929	Finding 2
Subtotal, materials and supplies	4,283	8,623	4,340	Finding 2
Total direct costs	480,290	138,940	(341,350)	
Total indirect costs	21,661	5,877	(15,784)	Findings 1, 2
Total direct and indirect costs	501,951	144,817	(357,134)	
Less mandate portion of STAR apportionments	—	(40,328)	(40,328)	Finding 3
Total program costs	501,951	104,489	(397,462)	
Less amount paid by the State	—	—	—	
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 501,951</u>	<u>\$ 104,489</u>	<u>\$ (397,462)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2003, through June 30, 2004</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 1,088	\$ 3,142	\$ 2,054	Finding 2
Test materials, supplies, and equipment	2,861	—	(2,861)	Finding 2
Pretest and post-test coordination	15,479	103,300	87,821	Finding 2
Test administration	1,261	19,778	18,517	Finding 2
Reporting and recordkeeping	—	8,950	8,950	Finding 2
Subtotal, salaries and benefits	20,689	135,170	114,481	Finding 2
Materials and supplies:				
Reporting and recordkeeping	—	5,872	5,872	Finding 5
Total direct costs	20,689	141,042	120,353	
Total indirect costs	830	5,420	4,590	Finding 1
Total direct and indirect costs	21,519	146,462	124,943	
Less mandate portion of STAR apportionments	—	(40,077)	(40,077)	Finding 3
Less allowable costs that exceed claimed costs ²	—	(84,866)	(84,866)	Finding 5
Total program costs	21,519	21,519	—	
Less amount paid by the State	—	—	—	
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 21,519</u>	<u>\$ 21,519</u>	<u>\$ —</u>	
<u>Summary: July 1, 2001, through June 30, 2004</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 138,970	\$ 18,930	\$ (120,040)	Finding 1
Test materials, supplies, and equipment	4,048	—	(4,048)	Finding 1
Pretest and post-test coordination	510,527	306,819	(203,708)	Finding 1
Test administration	50,327	58,995	8,668	Finding 1
Reporting and recordkeeping	302,253	23,338	(278,915)	Finding 1
Subtotal, salaries and benefits	1,006,125	408,082	(598,043)	Finding 1
Materials and supplies:				
Training, policies, and procedures	—	2,694	2,694	Finding 2
Test materials, supplies, and equipment	4,283	—	(4,283)	Finding 2
Reporting and recordkeeping	—	17,287	17,287	Finding 2
Subtotal, materials and supplies	4,283	19,981	15,698	Finding 2
Total direct costs	1,010,408	428,063	(582,345)	
Total indirect costs	53,413	20,286	(33,127)	Findings 1, 2
Total direct and indirect costs	1,063,821	\$448,349	(615,472)	
Less mandate portion of STAR apportionments	—	(121,527)	(121,527)	
Less allowable costs that exceed claimed costs ²	—	(84,866)	(84,866)	
Total program costs	1,063,821	241,956	(821,865)	
Less amount paid by the State	—	—	—	
Allowable costs claimed in excess of (less than) amount paid	<u>\$ 1,063,821</u>	<u>\$ 241,956</u>	<u>\$ (821,865)</u>	

¹ See the Findings and Recommendations section.² Government Code section 17561 stipulates that the State will not reimburse any claim more than one year after the filing deadline specified in the SCO's claiming instructions. That deadline has expired for FY 2003-04. Maximum allowable costs are limited to actual costs claimed.

Findings and Recommendations

FINDING 1— Unsupported salaries, benefits, and related indirect costs

The district claimed \$1,006,125 in salaries and benefits, and \$53,413 in related indirect costs. We initially determined that the all of costs claimed were inadequately supported. The district did not report names, job classifications, salaries and benefits rates, and test/school sites of actual employees who implemented the reimbursable activities in the claims. The district also grouped together job classifications and blended their pay rates. The district reported estimates, not actual costs; it did not provide contemporaneous records.

Our initial review of the district's claims for the audit period revealed the following discrepancies:

- \$643,805 of salaries, benefits, and related indirect costs were claimed with inadequate supporting documentation for unknown and unnamed personnel.
- \$236,780 of salaries, benefits, and related indirect costs were claimed for staff who did not perform any STAR Program activities.
- \$134,121 of salaries, benefits, and related indirect costs were claimed for teachers performing ineligible training and test administration activities.
- \$7,407 of salaries, benefits, and related indirect costs were claimed for performing STAR Program district coordinator activities for the wrong employee.

We developed alternative methods to determine allowable salaries, benefits, and related indirect costs, given the district's inadequate documentation to support the claims and its proof that mandated activities were performed.

The district accepted the reimbursement methodology used to calculate allowable salaries, benefits, and related indirect costs for each reimbursable STAR component. Standard time was developed for each reimbursable activity, based on the current Spring 2007 STAR testing period. Contemporaneous time sheets were obtained for the current Spring 2007 STAR testing period for training, pretest/post-test coordination, and test administration.

Because of the time constraint to finalize this audit, we allowed the district to adopt Long Beach Unified School District's time standard for reporting and recordkeeping. Otherwise, the district would not have developed its own time standard until the following school year. We calculated the reimbursable cost for each STAR component by multiplying the standards developed to the number of students tested for the STAR Program for the audit period. We calculated allowable cost by developing allocation percentages for SAT-9, CAT/6, and SABE/2 tests for the audit period. Our audit determined that the district overstated salaries, benefits, and related indirect costs by \$631,310 for the audit period.

The following table summarizes the audit adjustments for salaries, benefits and related indirect costs by reimbursable activities.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Reimbursable components:				
Training, policies, and procedures	\$ 10,849	\$ (132,943)	\$ 2,054	\$ (120,040)
Test materials, supplies, and equipment	(899)	(288)	(2,861)	(4,048)
Pretest/post-test coordination	(192,912)	(98,617)	87,821	(203,708)
Test administration	7,874	(17,723)	18,517	8,668
Reporting and recordkeeping	(191,746)	(96,119)	8,950	(278,915)
Subtotal, direct costs	(366,834)	(345,690)	114,481	(598,043)
Indirect costs	(22,266)	(15,591)	4,590	(33,267)
Totals	<u>\$ (389,100)</u>	<u>\$ (361,281)</u>	<u>\$ 119,071</u>	<u>\$ (631,301)</u>

The program's parameters and guidelines, section V.A.(1), state:

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines, section VI.A., state:

. . . all incurred costs claimed must be traceable to source documents that show evidence of the validity and relationship to the reimbursable activities. Documents may include, but are not limited to, worksheets, employee time records or time logs, cost allocation reports (system generated), invoices, receipts, purchase orders, contracts, agendas, training packets with signatures and logs of attendees, calendars, declarations, and data relevant to the reimbursable activities. . . .

Recommendation

We recommend that the district ensure that all costs claimed are applicable to and reimbursable under the program's parameters and guidelines and properly supported with source documents.

District's Response

The district agreed with the finding.

**FINDING 2—
Understated materials
and supplies, and
related indirect costs**

The district understated materials and supplies, and related indirect costs by \$15,838 for the audit period because it did not claim postage costs for reporting and recordkeeping.

The district did not claim postage costs for reporting and recordkeeping allowed in the parameters and guidelines for the audit period. We determined that the district did administer the STAR Program tests, because the tests results were posted on the California Department of Education (CDE) Web site. We calculated postage costs by multiplying the total number of students tested and the postage rate for each fiscal year.

The district claimed \$4,283 of test materials, supplies, and equipment costs for FY 2002-03. The costs were for the entire STAR Program, and not the mandated portion. We allowed \$2,694 in costs relating to training, policies, and procedures rather than claimed test materials, supplies, and equipment costs.

The following table summarizes the understated materials and supplies, and related indirect costs for the audit period.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Materials and supplies:				
Training, policies, and procedures	\$ —	\$ 2,694	\$ —	\$ 2,694
Test materials, supplies, and equipment	—	(4,283)	—	(4,283)
Reporting and recordkeeping	5,486	5,929	5,872	17,287
Subtotal, direct costs	5,486	4,340	5,872	15,698
Indirect costs	333	(193)	—	140
Totals	\$ 5,819	\$ 4,147	\$ 5,872	\$ 15,838

The parameters and guidelines, section IV.E., state:

The cost of materials and supplies used for reporting (including paper and envelopes), the cost of postage for mailing reports to parents, and the cost of computer programming used for reporting purchases is reimbursable under this activity.

The parameters and guidelines, section V.A.2., state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

Recommendation

We recommend that the district ensure that all costs related to the mandate program are properly reported and supported with source documents.

District's Response

The district agreed with the finding.

**FINDING 3—
Understated
reimbursements**

The district did not report \$121,527 of reimbursements on the claims for the audit period resulting in overstated claim costs. We determined that \$121,527 is the mandate portion of the STAR apportionments from CDE.

The following table summarizes the understated reimbursements.

	Fiscal Year			Total
	2001-02	2002-03	2003-04	
Reimbursements	\$ 41,122	\$ 40,328	\$ 40,077	\$ 121,527

The parameters and guidelines, section VII, state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source including but not limited to, service fees collected, federal funds, and other state funds shall be identified and deducted from this claim.

Specifically, reimbursement for: (1) designating site and district coordinators, 2) exempting pupils from STAR Program tests upon request of parents or guardians, 3) coordinating testing at the test site, and 4) reporting data to the school district governing board or county office of education and the Superintendent of Public Instruction, shall be offset by funding provided in the State Budget for the STAR Program.

Recommendation

We recommend that the district deduct any federal and state funds related to the mandate from claimed costs.

District's Response

The district agreed with the finding.

**FINDING 4—
Mandated activity not
performed**

The district did not report the results of the STAR Program tests to the school district governing board on a district-wide and school-by-school basis for the audit period. Consequently, the district is out of compliance with the mandated STAR Program requirements.

The parameters and guidelines, section IV.E., state:

Report the results of the STAR Program tests to the school district governing board of a district-wide and school-by-school basis.

Recommendation

We recommend that the district develop and implement policies and procedures to ensure that it is compliant with mandatory reporting requirements.

District's Response

The district agreed with the finding.

**FINDING 5—
Understated Spring
2004 mandated STAR
activities and costs**

For FY 2003-04, our audit determined that \$106,385 is allowable (\$146,697 in costs less \$40,077 in unreported mandate-related STAR apportionments from CDE). However, the district claimed only \$21,519. Consequently, the State is not able to reimburse the district for \$84,866 in otherwise allowable costs. The State will reimburse the district only the amount claimed within the filing deadline specified in Government Code section 17561. The filing deadline for FY 2003-04 expired on January 15, 2006.

Recommendation

We recommend that the district ensure that all costs related to the mandated program are properly reported.

District's Response

The district agreed with the finding.

**Attachment—
District's Response to
Draft Audit Report**



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November 19, 2007

RE: STANDARDIZED TESTING AND REPORTING
(STAR) PROGRAM, CHAPTER 828, STATUTES OF 1997

Dear Mr. Spano:

This letter is in response to the October 24, 2007 Draft Audit Report. The State Controller's Office performed an audit of Chino Valley unified School District's (district) Standardized Testing and Reporting (STAR) Program claims for fiscal years 2001/02, 2002/03 and 2003/04.

The district wishes to thank the State Controller's Office for its professionalism and cooperation in this very intense and lengthy audit. We appreciate the SCO's willingness to accept traditional and the alternative methods proposed by CVUSD to determine allowable costs and time standards. We believe this methodology resulted in a fair settlement for reimbursement of claims as documented in the Draft Audit Report.

The Draft Audit Report allowed \$241,956 and disallowed \$821,865 of the district's original claim for the mandated program. The district's original claim was based upon what it believed to be its rightful reimbursement using the parameters and guidelines (P&G's) set by the Commission on State Mandates. The district currently believes that overly broad language in the P&G's led the district to claim all costs associated with the STAR program and not just those relating to implementation of the state-mandated assessments. Upon further review by the SCO, the Controller has determined many of those costs to be ineligible as they did not contain the detail the SCO considered to be sufficient for reimbursement. The district concurs with the Draft Audit Report finding as validated by the design of the audit methodology. The district accepts \$241,956 as the reimbursable portion of the claim that the SCO determined could stand.

As a result of the audit process, the district has taken several steps to ensure that all mandated costs claimed in the future are applicable and supported. Specifically we are contracting the services of an expert consultant who will accumulate the data with supporting documents and file claims according to the program's parameters and guidelines (Findings 1, 2 and 5). The district will be deducting any federal and state funds related to the mandate from future claimed costs (Finding 3). The district is implementing enhanced policies and procedures to insure compliance with mandatory reporting requirements (Finding 4).

In summary, the District believes the draft audit findings to be fair and reasonable. Additionally, the support provided by the State Controller's Office has led to a set of district practices that will improve our ability fulfill our fiscal responsibilities in the area of mandated cost claims.

If you have any further questions or comments, please contact Dr. Ruben Zepeda, Director, Assessment and Evaluation or myself at (909) 628-1201.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Bridges", written over a horizontal line.

Pam Bridges
Director, Business Services

**State Controller's Office
Division of Audits
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